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CENTRAL INTELLIGENCE AGENCY

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# INFORMATION REPORT

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CONFIDENTIAL

COUNTRY Germany (Russian Zone)

DATE DISTR. 22 June 1948

SUBJECT Nationalization Pressure on Textile Export Firms in the Russian Zone

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1. The efforts of the state government of Saxony to nationalize all industry are falling heavily on privately-operated, SMA-approved textile export firms (Auffangfirmen), such as Limportex and Füting and Company. These firms are authorized to purchase and export or deliver to SMA for reparations the entire output of manufactured goods of certain branches of the textile industry. Purchased goods are stored in company warehouses until called for by SMA or released for export by the state government. Producers are paid through short-term bank loans, since the capital of the firms has been blocked since 1945.

2. The state government is currently using three series of measures to force nationalization of these export firms. First, the Garantie- und Kredit Bank of Saxony, which financed the bulk of purchases for the distributing firms, was ordered to grant only very short-term credits, which could not possibly cover the average time various goods remained in company warehouses. Thus the distributors were constantly caught short of funds and obliged to borrow heavily from the government Landesbank at 4.5 percent interest on the highest figure reached. The government, secondly, delayed the release of goods for export, allegedly in order to cause a piling up of stocks, in turn causing more financial embarrassment. As a third measure, the government released the maximum amounts of materials to firms selling to Limportex and other export firms so as to increase the flow of goods which had to be accepted and paid for.

3. The ultimate purpose of this three-way pressure is to make the export firms ready to sell out to the state. Although SMA has worked closely with these firms and in some instances protected them, it has no objection to their transfer to the state government if the present personnel and organization, which are usually quite efficient, continue to function.

4. The first firm to succumb was Auffangfirma Kegel of Dresden. Because of financial difficulties, it converted itself into a limited liability company, Aka GmbH, early in 1948, but by the end of April it was again insolvent and was forced to liquidate.

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Its purchasing and distributing commitments were transferred primarily to Füting and Company. The Limportex firm is about to liquidate because of the difficulty of obtaining credit and will also pass on its interests to Füting and Company. This latter firm is fighting to maintain its independence but fears that, in view of the new credit restrictions, it too will soon be forced to borrow state funds and will suffer the same fate.

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